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STATE FOR D, P, EAP/MLS, S/WCI, DRL, DRL/ILCSR--MITTELHAUSER,  
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STATE PLEASE PASS TO USTR FOR BISBEE AND WEISEL  
BANGKOK FOR USAID--KISSINGER, FCS--BACHER  
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E.O. 12958: N/A

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SUBJECT: CIVIL SOCIETY LEADERS TOUT MEASURED PROGRESS, HIGHLIGHT  
CONCERNS IN MEETINGS WITH DAS MARCIEL

REF: A. PHNOM PENH 74

[1](#)B. PHNOM PENH 95

[1](#)C. PHNOM PENH 97

[1](#)1. (U) Sensitive but unclassified. Not for internet distribution.

[1](#)2. (SBU) Summary: Civil society leaders presented a "glass half full" picture of Cambodian progress on a variety of political, economic, and human rights issues to Deputy Assistant Secretary Scot Marciel during his January 16-18 trip to Cambodia. Political violence and voter intimidation have declined over previous years, but election-watchers fear new, more sophisticated forms of tampering. (Apparently they haven't told opposition leader Sam Rainsy, who remarked on growing political openness and described his party as having good prospects in the July national elections during a separate meeting.) Khmer Rouge Tribunal (KRT) prosecutor Robert Petit declared the KRT is capable of delivering a "pretty good measure of justice," while economic and business leaders predicted that Cambodia's economic growth would continue--though perhaps at six to seven percent per year rather than its current breakneck double digit rate. Human rights leaders were the most downbeat, highlighting land disputes, the growing gap between rich and poor, and NGO self-censorship as continuing, serious human rights concerns. End Summary.

Elections: Overt Intimidation Declines, but Concerns about New  
Forms of Electoral Fraud

[1](#)3. (SBU) The DCM hosted a dinner of civil society and NGO groups focused on the elections, including the directors of the Neutral and Impartial Committee for Free and Fair Elections (NICFEC) and the Committee for Free and Fair Elections in Cambodia (COMFREL). The group acknowledged that violence and intimidation had decreased and the political climate for elections seemed to have improved; however, they expressed concerns about new, more sophisticated forms of electoral fraud such as a "white finger campaign" to pay voters not to vote. (NOTE: Since such non-voters would not have dipped their fingers in the India ink used to avoid duplicate voting, the party paying for the favor would know with certainty that they had lived up to their agreement, versus uncertain knowledge associated with vote-buying which cannot be verified in a secret ballot. END NOTE.)

14. (SBU) Two systemic electoral problems mentioned were lack of equal access to resources and media and the need for an independent institution to deal with complaints. National Election Committee (NEC) member Em Sopath defended his institution, saying new draft regulations were being circulated to NGOs for comment. But UNDP election project manager Aamir Arain noted that even with the legal right to manage the election, the NEC had no effective control over certain aspects. He gave as an example the role given to village and commune chiefs to submit names for the Form 1025 voter roll deletion list, now standing at about 580,000 (after some 70,000 names were restored to full voting rights through a complaints mechanism). The local officials, largely from the CPP, appeared to be able to act regardless of NEC regulations stipulating the need for evidence to delete a name. Others such as NICFEC's Koul Panha cited close observation by the CPP at the grassroots as a form of quiet intimidation, but could cite no more evidence than stories of village-based CPP groups who keep watch on the political activities of local residents. When asked by DAS Marciel to identify a clear set of benchmarks that would make for a free and fair election, the group began to name a few--such as media access--but did not provide a full or comprehensive list.

Sam Rainsy: Upbeat on Election Prospects, US-Cambodia Relationship

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15. (SBU) In a luncheon meeting January 18 hosted by the Ambassador, opposition party leader Sam Rainsy was joined by MPs Tioulong Saumura and Son Chhay in giving DAS Marciel an upbeat assessment of the political climate, noting Sam Rainsy Party's good prospects in the July elections. Cambodia is moving in the right direction, said Rainsy. Three interconnected factors were part of a more positive situation: stronger relations between the United States and Cambodia; less violence; and the deterioration of other political parties, leaving the field to the CPP and SRP. "FUNCINPEC is finished," he said. Rainsy urged the U.S. to use its new

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influence to help ensure free and fair elections without violence. He did not see much benefit in forming a coalition with the Human Rights Party at this time but saw some possibilities of joining with the CPP in a new government after the election: it depends on what changes CPP will make and is willing to make, he said, and on what it offers to SRP to fulfill its election platform.

16. (SBU) On the SRP "message" he noted jobs, high prices, and free health care were at the core of the platform. Health care would be paid for with money returned to the government coffers that had previously been mis-spent. Rainsy also recounted a speech he gave that morning praising Hun Sen for his willingness to recognize the legitimate winner of the July elections, and the efforts he would make to be a good caretaker during a turnover. This was evidence that the CPP was beginning to understand what a liberal democratic environment was, Rainsy noted. While problems remained--from the need for more open debate in parliament to intolerance for protests and free speech-- the SRP leader exuded confidence in his party's chances in the July elections and general approval of the U.S. bilateral relationship as it affected the political climate.

Human Rights Leaders Highlight Land Disputes, Growing Income Gap, Political Freedoms, and Prison Labor

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17. (SBU) DAS Marciel, in a meeting with human rights leaders in Cambodia, had a wide-ranging discussion that touched on the topics of land, poverty, political freedom and labor. Participants stressed that land conflict cases were one of the most pressing issues facing Cambodia today. They asserted that the current land law was good but that implementation of it was poor, resulting in few opportunities for just resolution in the courts. While discussing the historic and legal causes of today's contentious land issues, human rights leaders emphasized the sensitive role that foreign companies, particularly Chinese and Vietnamese, play in fueling the conflict due to the economic land concessions that they receive, which also have a serious impact on the environment. DAS Marciel acknowledged the significance of the land issues and emphasized that he had already raised the subject a number of times

during his visit.

¶18. (SBU) Yeng Virak of Community Legal Education Center voiced his concern over the current attitude of growth at all costs in which he sees the poor becoming poorer and vulnerable people losing, which could have an impact on stability. When asked about statistics that indicate economic growth is pulling more Cambodians out of poverty, human rights leaders admitted that it was difficult to know with certainty the overall impact but they felt confident that those who were already poor were becoming more impoverished. One participant noted that the chasm was becoming wider between the rich and poor. Another felt that the looming oil and gas profits could also have a negative impact on poverty levels as the possible "resource curse" could lead to greater corruption.

¶19. (SBU) DAS Marciel's question about the political space in which human rights organizations have to operate touched off an interesting discussion. Theary Seng of Center for Social Development underscored the chilling effect that events of two years ago continue to have on human rights organizations, with most still uncomfortable testing to see if political space has, in fact, opened up. Naly Pilorge of LICADHO opined that the RGC only tolerated human rights organizations because of the need for international recognition.

¶110. (SBU) Pilorge also raised reports of incarcerated individuals in two prisons being used to cut fabric for garment factories. (Note: Licadho monitors 18 prisons. Pilorge did not name the two prisons where these alleged abuses are occurring. End Note.) While LICADHO is still investigating the allegations, there is information to indicate that this is occurring and that there is neither consent from the prisoners, nor any benefits being provided to them for their labor. Pilorge assured DAS Marciel that she would keep the USG informed of any further findings.

Khmer Rouge Principals: KRT Can Deliver "A Pretty Good Measure of Justice"

¶11. (SBU) Khmer Rouge Tribunal (KRT) Co-Investigating Prosecutor Robert Petit and Defense Unit Head Rupert Skilbeck briefed DAS

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Marciel and the Ambassador on developments in the KRT, covering many of the same topics they reviewed with Staffdel Grove earlier in the week (Ref A). They noted in context that the Cambodian system of justice was problematic but that systems in the KRT had been established to deliver what Petit called a "pretty good measure of justice." Petit added that there may be more persons prosecuted than the initial five KR leaders now in custody. Skilbeck said that the KRT structures so far seemed to be working and there would possibly be a vigorous defense, but the "crunch time" had not yet come to fully test the court's internal rules. Skilbeck said that corruption seemed to have stopped in the form of kickbacks, but in some cases, voluntary payments might still be made. Petit noted the work of this court, like that of other war crimes tribunals, was not easy, never pretty, but they could get the job done. Petit said the court could only accomplish its goals with sufficient financial support.

¶12. (SBU) Both Petit and Skilbeck supported the appointment of a Special Advisor to the UNSYG who would focus on court management and administrative issues (including corruption) over the next nine months. That person would need to have a leadership role and be physically located in Phnom Penh for some time, they noted.

Strong Economic Growth, but Many Obstacles to Sustainability

¶13. (U) In a roundtable discussion with a diverse group of industry and economic development representatives, participants agreed that the current growth rate, averaging nine percent per year since 2000, is the result of renewed political stability and regional economic growth. Representatives from the banking, legal, and garment sectors said that investors are now starting to perceive less risk, resulting in dramatic increases in foreign direct investment. Dr. Hang Chuon Naron, Secretary General the Supreme National Economic

Council, noted that the National Bank's dollar reserves are higher than ever, increasing more during the last year than the previous ten years. Furthermore, savings deposits are growing at 70 percent per year. IMF Resident Representative John Nelmes pointed out that current macro-economic conditions, including inflation rates and balance of payments, are also favorable.

¶14. (SBU) However, all eight participants agreed that growth is unlikely to continue at the same high rate, with the IMF predicting six to seven percent growth in the years to come. Cambodia is starting from a very low base, which makes high growth easier to achieve in the early years, Nelmes noted. Michael Stephen, a banker and American-Cambodian Business Association board member, explained that the lack of diversification makes Cambodia's economy fragile. Garments and tourism, the foremost economic drivers, are susceptible to international markets and global economic trends. Dr. Naron projected that it would take another ten years for the economy to diversify away from these two economic mainstays. He also noted that new investors are fueling a real estate bubble. Double and triple digit returns from fast appreciating properties are attracting investment away from sectors that will support long-term growth, such as agriculture.

¶15. (SBU) In response to DAS Marciel's question about the factors inhibiting future economic growth, the representatives responded with a number of challenges. In the immediate future, the falling dollar will hurt Cambodia's dollarized economy and the impact will be further aggravated by rising fuel and food prices. The representatives also listed a number of challenges to long-term growth: growing inequity, an inadequate education system, unreliable infrastructure, corruption, and the lack of an independent judiciary. Brett Scarioni, lawyer and American-Cambodian Business Association President, described how companies must seek dispute resolution in Singapore or Hong Kong, where there is less corruption and systems are more transparent and impartial. Van Sou Ieng, Executive Director of the Garment Manufacturers Association of Cambodia, explained that the garment sector is currently restricted to low value cut-and-sew operations because electricity costs are too high. With utility rates two to three times higher than its neighbors, Cambodia is unable to advance into more capital intensive manufacturing, like textiles and electronics. The economics and business leaders gathered increasingly view Vietnam as Cambodia's biggest competitor. Vietnam's entrance into the WTO is likely to result in many investors passing over Cambodia for Vietnam's more highly educated workforce, lower electricity costs and more reliable

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infrastructure.

Comment  
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¶16. (SBU) Cambodia's civil society presented a largely upbeat, but not unflawed, picture of Cambodian political and economic progress. Just as the KRT Prosecutor said that the institution could deliver "a pretty good measure of justice," in other arenas, Marciel heard that Cambodia is achieving "pretty good development." Voter intimidation and political violence have declined, the leading opposition party feels confident about the future and is complimenting the Prime Minister, and economic leaders predict that while Cambodia's growth may slow, it will remain at an enviable six to seven percent. Nonetheless, real concerns exist and should be taken seriously: new forms of electoral fraud; land disputes and NGO self-censorship; growing income disparity; and poor infrastructure, low human capacity, and corruption hampering Cambodia's future economic growth. End comment.

¶17. (U) DAS Marciel did not have the opportunity to clear this cable.

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